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Want to end Rental Bias? Start Building More Social Housing.

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Prefabs prove to be no quick fix

LINDA DALY
MARKET WATCH

The very essence of modular homes is that they are the smart option when it comes to building: they can be put up quickly and cheaply. Off-site construction helps offset expenses and delays. Some prefab providers can whip up top-notch structures in just two weeks.

So when Dublin city council announced last June that it would build 153 modular homes as a “rapid” part-solution to the homelessness problem, it looked like a smart, innovative move. Yet, eight months later, none has been completed.

This is despite the fact that the council accelerated the procurement process for the first of its five sites. The contract to build the 22 modular homes was awarded to Tyrone-based firm Western Building Systems. It was estimated they would cost €4.2m.

The 22 houses in Ballymun were to be delivered by Christmas. In November, we were told their construction was stalled by protests and bad weather. The protests were unfortunate, but modular homes are factory built so inclement weather should have minimal impact. The houses are expected to be delivered next week.

For the remaining 131 modular homes, the council had been seeking a €20m tender — more than €150,000 per home. In the case of Ballymun, the 22 houses are costing more than €190,000 a piece. Where’s the cost efficiency in that?

Furthermore, last week the tender for the 131 homes had to be re-issued after Dublin city council received an insufficient number of applications. This was thanks to the wording on the tender, which rendered applicants unable to meet the specifications. The June deadline is looking impossible.

December is, apparently, a more realistic target but, given events to date, should we look to 2017? So much for a rapid solution.

Price watch: Co Louth

Cuchulainn Heights Carlingford 3-bed semi		
2012	€131,277	
2016	€191,000	Up 45.5%
Belfry Avenue Dundalk 4-bed semi		
2012	€181,000	
2016	€225,000	Up 24%
Five Oaks Village Drogheda 3-bed semi		
2012	€180,000	
2016	€225,000	Up 25%
Carroll Village Dundalk 1-bed apartment		
2012	€47,000	
2016	€60,000	Up 27.7%

Source: propertypriceregister.ie



It took 12 months for O'Sullivan to transform No 2 Royal Terrace West from three flats into a single family home, which is now on the market for €1.35m



'If you don't get the location right, you'll make no money'

For Steven Van Den Bergh, buying run-down properties with potential, doing them up and putting them back on the market has developed into a business that employs seven people. "I've been building houses and extensions for a good few years, but it's only since 2011 that I started buying properties in need of a lot of work," he says. His company, Van Den Bergh Developments, renovates about 10 properties each year.

While he subcontracts work on the electrics, plumbing, kitchen and windows, his team does everything else, including stripping the property, insulating, replastering, putting in new floors and, in many cases, adding an extension. He usually has five properties on the go at any time.

The team's most recently completed property is No 7 Beechwood Grove, in Dun Laoghaire, which is on the market again through DNG after a seven-week renovation.

One of the main challenges, he says, is the length of time it takes to buy and sell properties, particularly since the introduction of the new regulations. The actual renovation is straightforward. "I've seen people get jobs done by builders in six months. We do the same job in two months because I don't have a client to answer to," he says.

Location is the most important factor for Van Den Bergh. "If you don't get it right, you'll make no money," he says. "We finish to a high standard and in certain areas you will not get people paying for that standard."

His advice to wannabe flippers is to ensure they have funds to complete the job. "Allow for a longer period of waiting than you anticipated. It takes time. I can do five properties by the time the first one is sold."

While the renovation can be quick, buying and selling can take time

How to make a killing in the renovation game

Flipping — buying property to do it up and sell it on — fell out of fashion during the downturn, but as house prices rise, so does the chance to turn a profit, writes Grainne Rothery

Two years after completing extensive renovation work on her period home at Royal Terrace West in Dun Laoghaire — and just six months after moving into the house — Lisa O'Sullivan is selling up and is on the lookout for another project.

While she expects to make a “decent amount” on the transaction, O'Sullivan says that, rather than doing it for the money, she's motivated by a love of property and the wish to put her new-found experience to good use. “I want to do it perfectly, now that I know what the pitfalls are,” she says.

O'Sullivan and her husband, Patrick, paid €750,000 for the house in 2013 and it's now back on the market for €1.35m. It's what they call in the property trade a flip, and with property prices on the rise would-be flippers are looking to make a killing from the market.

There are a number of ways you could flip a property quickly. You could buy a property in an up-and-coming area, and hope that prices will rise. Alternatively, you could buy up a few adjoining properties and try to sell them on for a higher price. For many, the real buzz is to be had

by turning a rundown pad into something much more habitable.

In between O'Sullivan buying and putting No 2 Royal Terrace West on the market, she “rebuilt it from top to bottom”, converting it into a single family home from three flats, making the basement level open plan, interconnecting two reception rooms on the first floor, replacing windows and replastering, as well as adding a new kitchen and bathroom.

The job was a lot bigger than she had envisaged and took about 12 months to complete. “The guy who previously owned the house was a builder and he did such a good job of putting the flats in that the demolition took twice as long and was twice as expensive as we thought it would be,” O'Sullivan says.

Anyone who has watched Grand Designs or Room to Improve will know that delays on construction jobs tend to be par for the course. Whether you encounter structural problems, tardy workmen or planning delays, you will always hit snags along the way.

Renovating homes is a time-consuming and cash-absorbing business. Every euro spent — on buying

the property or doing it up — should be factored carefully.

Taking on a period renovation is also a big deal: “I think people underestimate it — financially, time-wise and how it affects people living near you. When something goes wrong you can't have a go at it yourself or just get anyone in to repair something. You need to get someone who knows what they're doing,” says O'Sullivan.

The family was living abroad while the

“YOU NEED TO FIND OUT WHAT IT'S GOING TO BE WORTH WHEN IT'S FINISHED. THAT'S KEY — THAT'S YOUR MARGIN

work was under way and O'Sullivan was project-managing it remotely. “That's not something I'd advise,” she says.

Having a good team of people on whom you can depend is a hugely important aspect of being able to renovate and sell properties, according to auctioneer Felicity Fox. This is the reason it's often easier for builders to do well. “If you're relying on contractors and you're not into project management, you might do it once and never again,” she says.

People already in the business can also have the edge in terms of finding suitable properties. “As a builder you may be able to see an opportunity where it's not that obvious to others,” says David Dobbs, associate director at estate agent DNG Dun Laoghaire.

“People who have experience with property know things that can be done that might not be apparent to the normal punter on the street — for example, adding an extension to the side of the house, converting the attic or adding an en suite bathroom.”

Potential pitfalls for would-be property flippers include not being able to get planning permission if it's required. “You might decide you want to build a two-storey extension to the back of the property and not get planning approval, and that's a risk,” says Dobbs. “Also, we're relatively confident that the market will continue to be fairly strong, but obviously the biggest risk is if the market takes a turn.”

Timing can be everything. Some of the



those who were worst hit in the recession were amateur flippers who bought at the wrong time. “Regardless of how quickly you move, there's still going to be a time lag of a minimum of nine months between when you buy a property and put it on the market again,” adds Dobbs.

Overestimating the final value of a renovated property could also be a costly mistake. “You need to do your homework on what it's going to be worth when it's finished. That's key because that's your margin.”

Despite all the challenges, O'Sullivan says she still loves property and wants to get involved with another renovation. “Now that I've found a team and a builder that I respect and get on well with, I feel that we could do it again.”

Her next project is unlikely to be as big as the last. “I'd go for something that maybe needed a new kitchen and bathroom, but the structural issues, and having to replaster inside and out, that was difficult, messy stuff,” she says.

No 2 Royal Terrace West is for sale through DNG; dng.ie

Want to end rental bias? Start building more social housing

When the rent supplement was introduced in 1977 for people in financial need within the private rented sector, the intention was that it would be temporary. Almost 40 years on, it is still with us.

Last week the Irish Human Rights and Equality Commission reminded landlords that it was illegal under the Equal Status Acts to discriminate against tenants receiving rent supplement.

Banning landlords from putting “no rent supplement” notices in advertisements, or from using positive discrimination (“professionals only”) will not stop prejudice. There are other ways to skin this cat, including lying to a potential tenant by saying a place has already been let.

Although discrimination is a problem — and making it illegal under legislation is the right thing to do — this just addresses a symptom of the problem and not the cause. In reality, many landlords are biased against the dysfunctional rent supplement

system as much as anything else. A big, and legitimate, gripe they have is that the rent is paid in arrears and to the tenant. Often the tenant has to add more money from other sources, thereby increasing their own poverty.

Landlords are therefore taking a chance that the rent supplement claim will be processed in a timely manner by the Department of Social Protection. Meanwhile, they agree to house the tenant

without payment. As the situation stands, many landlords do let tenants into their property without rent being paid in advance, and without certainty of when the first month's rent will be paid.

Landlords aren't happy with this bureaucratic and arrears-based system, and understandably so. Tenants aren't happy, either, as the amount of money on offer is typically at least 20%–30% below

the asking rent for suitable properties. As a result few properties are affordable for these tenants.

There are calls from many sources to increase the rates of rent supplement to meet market rents. These levels were last set in June 2013, and reach a maximum of €1,000 per month in Dublin for a couple or single person with three children.

It's not a lot in the context of the accommodation needed for such a family, who face rental costs of about €1,500 per month. Landlords are legally entitled to a market rent, don't forget.

Opponents of this proposal argue that landlords will put up rents if supplements increase. Proponents say there's no evidence of this, and that as rents are now frozen for two years at a time, it is the ideal time to do this.

This would undoubtedly have an impact on Department of Social Protection expenditure, but if the system is forcing people into homelessness, emergency accommodation, or preventing them from moving on from



Discrimination against tenants receiving aid is a symptom of a wider issue

homelessness, then it may be money well spent.

In 2015, the government spent more than €298m on rent supplement, a reduction of more than 40% since 2011. (Just for comparison, the UK government spends more than €634m on housing benefit per week.)

It's big money but the costs of doing nothing are arguably greater as the social, financial and macroeconomic knock-on effects of sitting on ministerial hands doesn't come cheap either.

The root cause of this is the lack of social housing construction — not “tenancies delivered”, or “keys handed over”, which are euphemisms for housing people in

the private sector. For years, successive governments haven't built social housing.

Within governing parties, the financial constraints conveniently coincided with the prevailing market-led ideology.

In 2015, despite ministerial claims of 13,000 units being “delivered”, local authorities will have built about 350 houses. To put that in context, the most accurate figure we have shows that there are about 90,000 applicants on the social housing waiting lists.

The lack of actual social housing (the bricks and mortar stuff) has extensive knock-on effects on other sectors of the economy and the housing market, all of which have far greater individual and national financial implications than the costs of starting a proper building programme.

Rent supplement limits are merely a symptom of the lack of social housing: the government should address them, but not as a substitute for rolling up its sleeves and building social housing.

LORCAN SIRR
ON THE
HOME FRONT

